Bloomberg BNA

Pension & Benefits Reporter™

Missing Participants

PBGC Missing Participants Proposal Gets Broad Support From Array of Organizations

Reuniting missing retirement plan participants with their savings is a cause that everyone can rally around, as comments on proposed rules by the Pension Benefit Guaranty Corporation show.

The comments, from a diverse array of groups and businesses such as the U.S. Chamber of Commerce, AARP, the Investment Company Institute and Fidelity Investments, all strongly support most aspects of the PBGC's proposal (RIN:1212-AB13). The rule would expand the agency's missing participants program for pension plans to cover terminated defined contribution plans, such as 401(k)s.

Among the proposal's provisions is one that would allow a plan to transfer benefits to the PBGC instead of establishing an individual retirement account for each missing participant. There's also a provision to create a unified pension search database.

Although the rules might not be finalized before the end of President Barack Obama's term, the broad support bodes well for 2017 after Donald J. Trump is sworn into office, Will Hansen, senior vice president of retirement policy at the ERISA Industry Committee, in Washington, told Bloomberg BNA.

''I hope that the Trump administration reviews PBGC rule drafting projects and ensures that this one continues because there is general positive support for the program,'' Hansen said.

Disagreements. Commenters disagreed on a few areas, such as whether plan sponsors should be required to use the PBGC's program, how to conduct a diligent search and the fee imposed for holding an account.

Washington-based AARP, the nation's largest group representing retirees and seniors, and the Washington-based Pension Rights Center, both said plan sponsors should be required to report information on missing participants to the PBGC.

''Although voluntary participation of terminated defined contribution plans is a step forward, the PBGC missed a significant opportunity to make the database one-stop shopping for participants in terminated plans,'' AARP said.

Most other the commenters disagreed and said that the program should be voluntary. ERIC, also opposed to a mandate for participation, said that plan fiduciaries would need to evaluate the PBGC's services and the fees for those services compared with those available in the private sector.

Millennium Trust Co., based in Oak Brook, Ill., is one of the companies that would be competing with the PBGC. The company is an IRA provider to plans dealing with missing participants and has also developed its own missing participants database. ''Since the PBGC's proposed program will be competing with a robust sector solution offered by Millennium Trust Company and others, it is incumbent on PBGC to ensure its rules provide full transparency to plan fiduciaries so that they can make an informed choice consistent with their fiduciary obligations,'' Millennium said.

Other companies that would compete with the PBGC include PenChecks Trust Co. of America, based in La Mesa, Calif., and Pension Benefit Information Inc., based in San Rafael, Calif.

Referring to the PBGC's suggestion to use free internet searches to locate missing participants, PBI said that such efforts for common names would be a ''waste of time producing large volumes of false positives.'' Searches should use multiple sources of data such as names, dates of birth, Social Security numbers and nicknames, PBI said.

Several commenters said the PBGC's proposed fee-waiver of $35 for small account balances transferred to the agency should be raised. Under the proposal, no fees would be assessed for transferring accounts with $250 or less to the PBGC. ERIC recommended that the minimum account balance be raised to $1,000, or if the threshold isn't raised, that there be a tiered fee for account balances of less than $1,000. The American Retirement Association, based in Washington, recommended raising the threshold to $500, and the Washington-based Investment Company Institute, which represents the mutual fund industry, recommended raising the limit to $700.

But one commenter, an anonymous individual who writes about personal finance, said the $250 cutoff should remain in place. ''Every little bit helps, and I'd love to see this initiative of the PBGC go through,'' the commenter said. ''How wonderful to think that someone's tiny account could be rolled over (without fees, if it's under $250) and held safely and cheaply until the saver can direct it or withdraw it for retirement. This cannot happen soon enough.''

By Sean Forbes

To contact the reporter on this story: Sean Forbes in Washington at sforbes@bna.com

To contact the editor responsible for this story: Jo-el J. Meyer at jmeyer@bna.com